



Lännen Tehtaat plc

INTERIM REPORT Q2 2011

August 11, 2011

Hotel Scandic Simonkenttä, Helsinki

Matti Karppinen
CEO



Lännen Tehtaat



Frozen Foods



Seafood



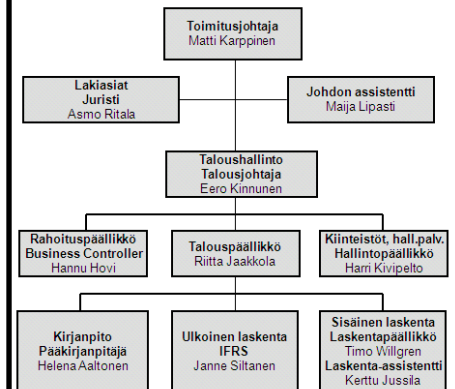
Safu

Associated company:
Taimen Oy (30%)

Grains and Oilseeds



Other Operations



Apetit Suomi Oy

Associated companies:
Sucros Oy (20%)
Ateriamestarit Oy (50%)



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Interim Report Q2 2011




Matti Karppinen, CEO:

“The Group’s business and profitability improved as forecast. Due to the best quarterly result in the history of the Grains and Oilseeds business and the improved performance of the Seafood business, the second-quarter operating profit, excluding non-recurring items, was better than both the previous year and the first quarter, as had been expected. Consolidated net sales were up 17% year on year. Net sales increased substantially not only in the Grains and Oilseeds business, but also in the Seafood business.

As a result of the decisions made in April to improve the efficiency of the Seafood business in Finland and Norway, non-recurring expenses of EUR 1.7 million were recognised in the second-quarter profit. The efficiency improvement measures aim at an annual profit increase of approximately EUR 1.4 million starting from the third quarter.

By improving our efficiency, concentrating our operations, strengthening our position in the fresh fish trade in Finland and carrying out essential price rises, we believe we will make our Seafood business profitable.”



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Key figures Q2 2011



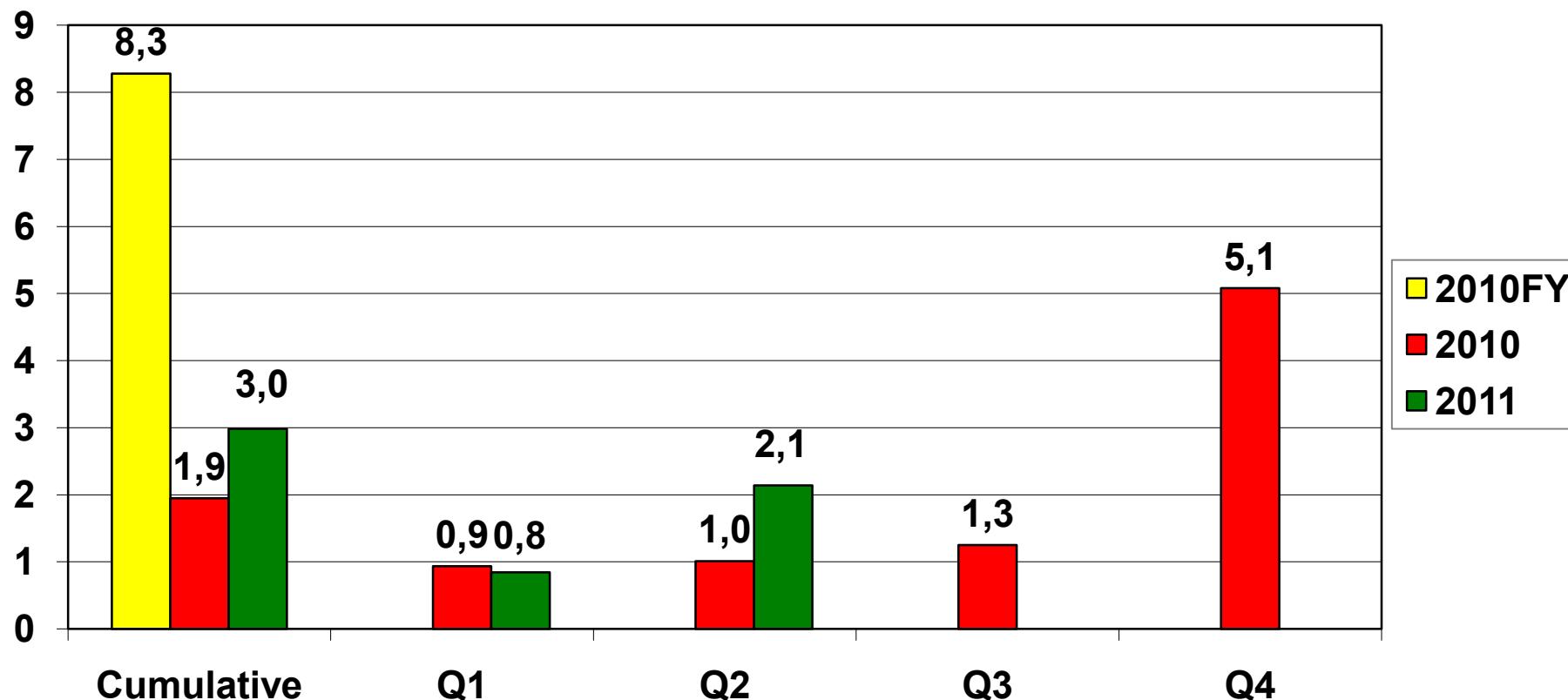
KEY FIGURES ILLUSTRATING PERFORMANCE

| EUR million | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | Q1-Q4 2010 |
|---|------------|------------|---------------|---------------|---------------|
| Net sales | 93.5 | 80.0 | 177.5 | 154.9 | 308.7 |
| Operating profit, excluding non-recurring items | 2.1 | 1.0 | 3.0 | 1.9 | 8.3 |
| Operating profit | 0.4 | 1.0 | 1.3 | 1.9 | 8.3 |
| Profit before taxes | -0.1 | 0.8 | 0.4 | 2.1 | 8.4 |
| Profit for the period | -0.2 | 0.6 | 0.0 | 1.4 | 6.5 |
| Earnings per share, EUR | -0.02 | 0.1 | 0.03 | 0.24 | 1.04 |

- Net sales in the second quarter were up by 17 % year on year.
- Operating profit, excluding non-recurring items, improved EUR 1.1 million year on year and was EUR 1.3 million better than Q1/2011.
- Non-recurring items were EUR -1.7 (0.0) million.
- Equity ratio was 78.0% (78.9%) and the Group is debt-free.

Operating profit

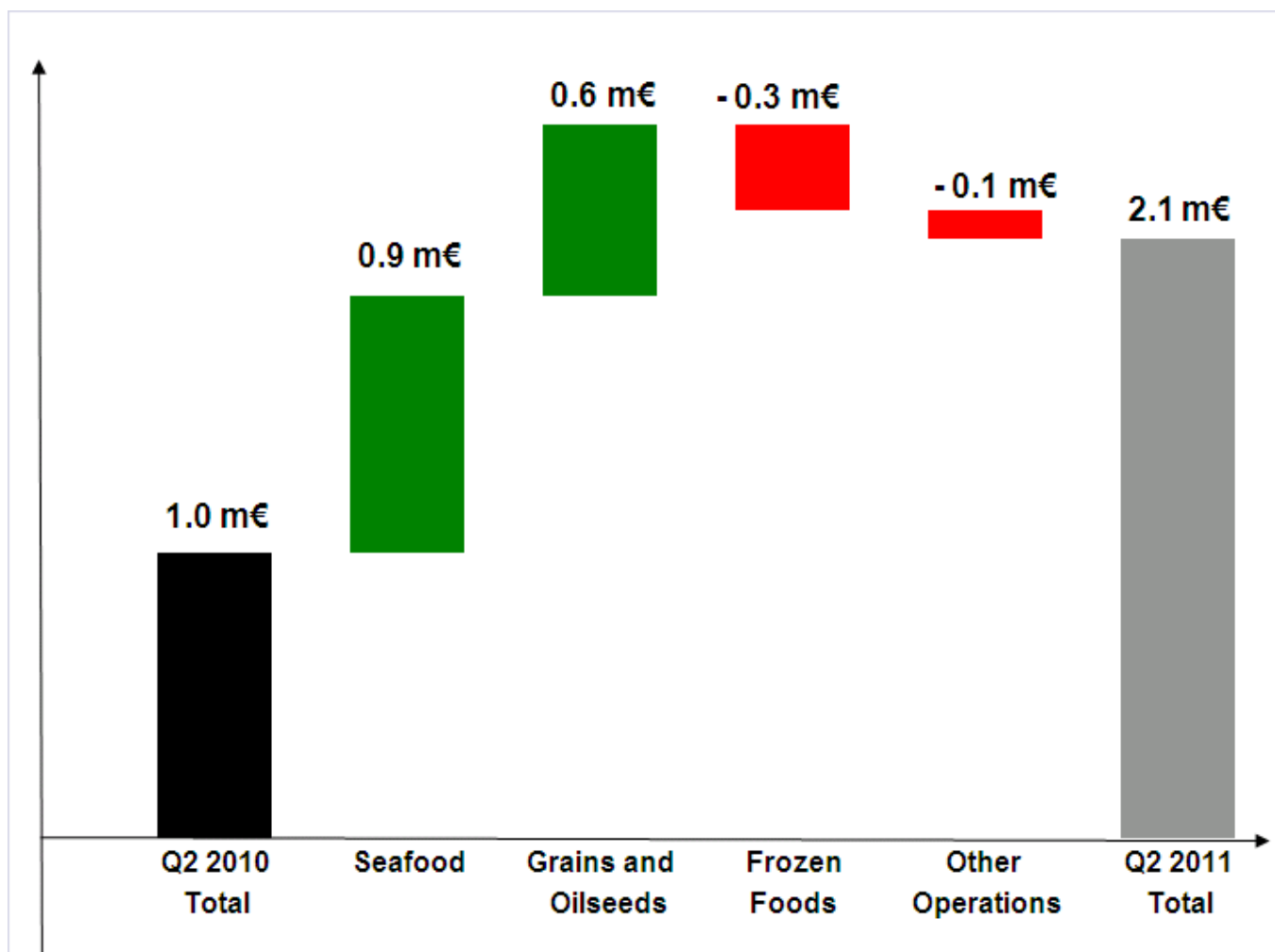
excluding non-recurring items,
EUR million



- Operating profit, excluding non-recurring items, improved year on year and also compared to Q1.
- Grains and Oilseeds business and Seafood business were up on the second-quarter figures of a year earlier.
- Frozen Foods business and Other Operations segment were slightly down year on year.

Operating profit excluding non-recurring items

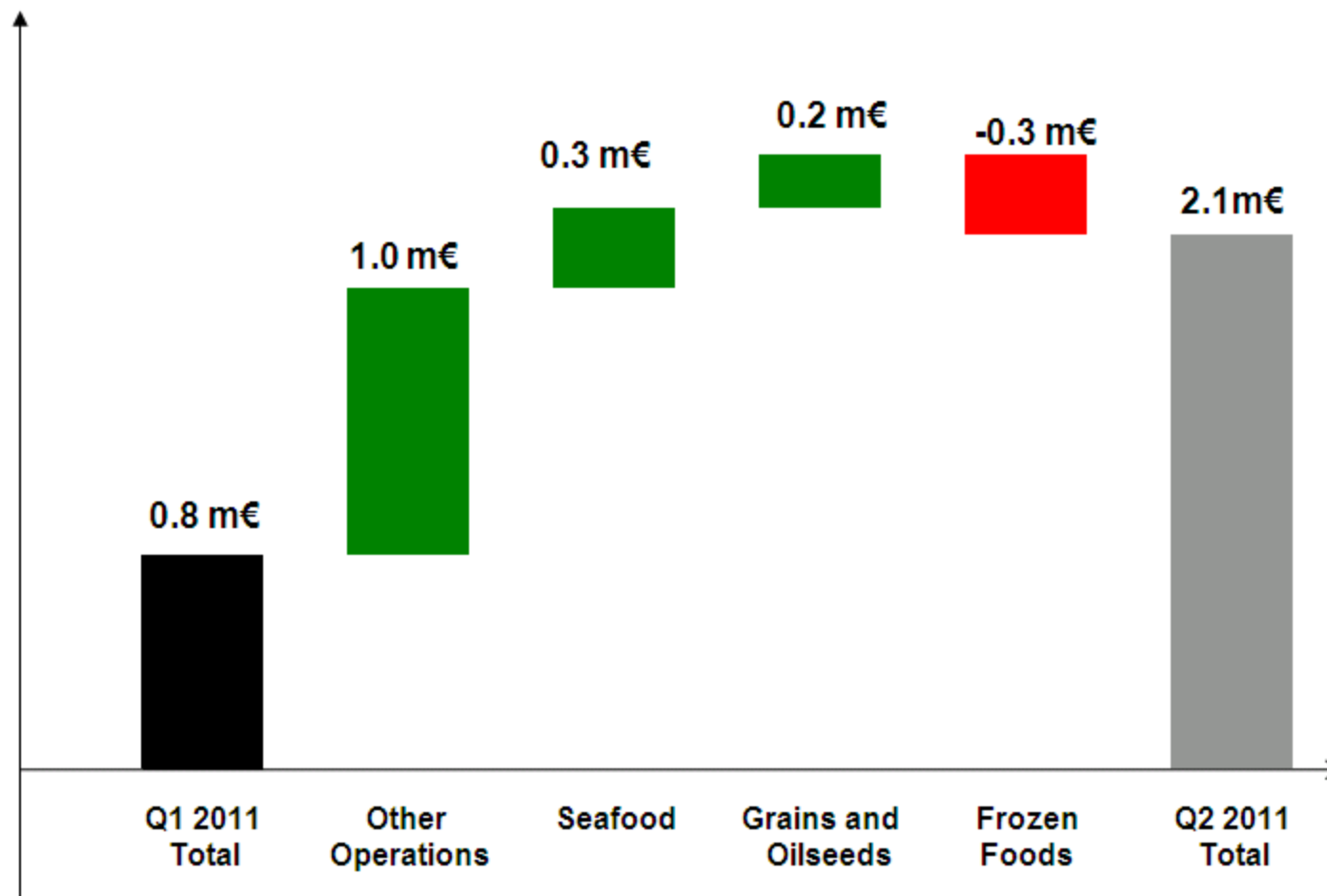
Change Q2 2011 vs Q2 2010, EUR million



- Seafood business improved the most year on year.

Operating profit excluding non-recurring items

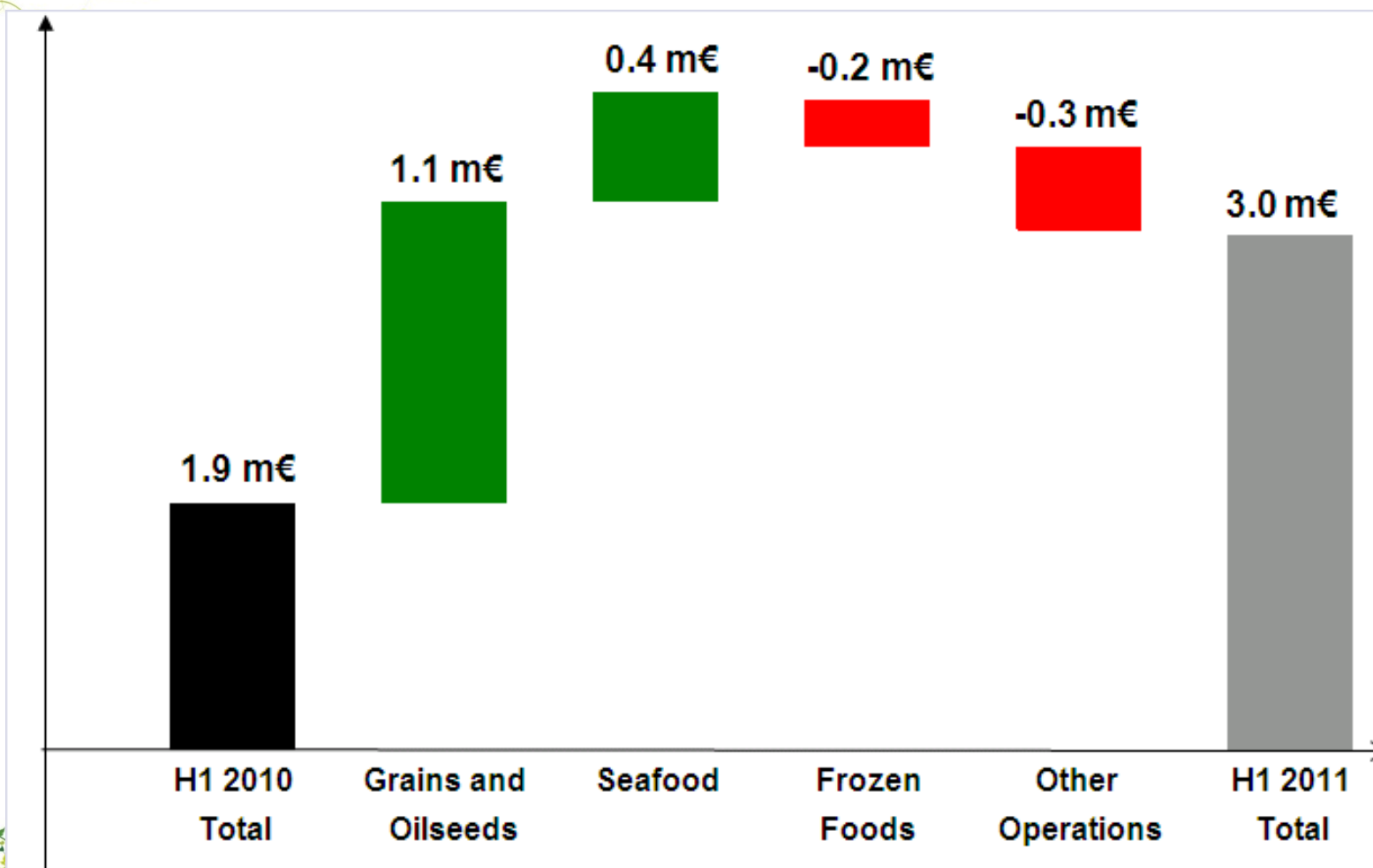
Change Q2 2011 vs Q1 2011, EUR million



• Group's Q2 operating profit was better than Q1

Operating profit excluding non-recurring items

Change H1 2011 vs H1 2010, EUR million



• Grains and Oilseeds improved the most from the previous year.

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Frozen Foods Q2 2011



| Frozen Foods | | | | | |
|---|------------|------------|---------------|---------------|---------------|
| EUR million | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | Q1-Q4 2010 |
| Net sales | 11.2 | 11.0 | 23.8 | 23.8 | 45.1 |
| Operating profit, excluding non-recurring items | 0.0 | 0.3 | 0.6 | 0.3 | 3.4 |

Net Sales

- Net sales grew slightly.
- Sales were up in all distribution channels with the exception of retail sector sales.
- Retail sector sales were down on the previous year's figure.
- Thanks to new products, best performed the sales of frozen ready meals and frozen vegetables and berries to the hotel, restaurant and catering sector.

Operating profit , excluding non-recurring items, was down year on year.

- The sales mix weighted more towards low-margin products.
- Strong rise in raw material and energy prices.
- Marketing inputs in the Apetit Finnishness campaign.

Other

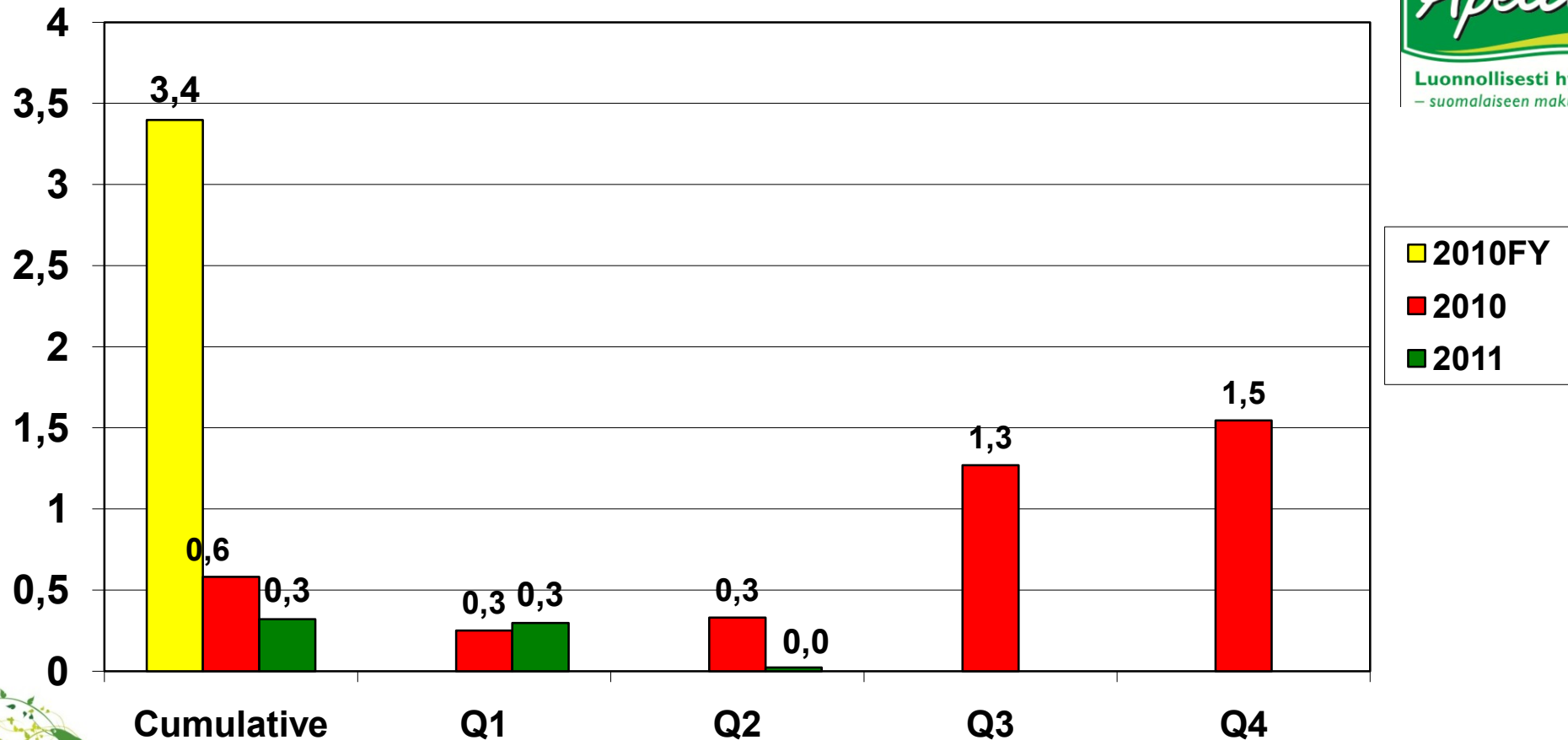
- Due to increased costs, there are still pressures for price increases.
- New products sold well: Apetit “Finnish-grown” product range, frozen vegetables and frozen food products in HoReCa sector.
- The themes of ‘Finnishness’ and ‘locally produced food, straight from the freezer’ continued.
- Favorable weather conditions have improved the crop growing in Finland.

Net sales grew somewhat and the operating profit was slightly down at the level of a year earlier.

Operating profit excluding non-recurring items, Frozen Foods, EUR million



Luonnollisesti hyvää
— suomalaiseen makuun —



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Frozen Foods, novelties



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Seafood Q2 2011



| Seafood | | | | | |
|---|------------|------------|---------------|---------------|---------------|
| EUR million | | | | | |
| | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | Q1-Q4 2010 |
| Net sales | 22.3 | 18.4 | 41.6 | 37.4 | 80.9 |
| Operating profit, excluding non-recurring items | -0.2 | -1.1 | -0.7 | -1.1 | -1.8 |

Net Sales grew by 21%

- Net sales in the Finnish market up by 35%: + Volume and price increases, Myrskylän Savustamo, Easter sales, - Lower number of Kalatori service counters
- Net sales were slightly up in the Norwegian and Swedish market measured in euros and local currencies: + Dressings + 30% and others 8–12% - The removal of smoked fish from the product selection

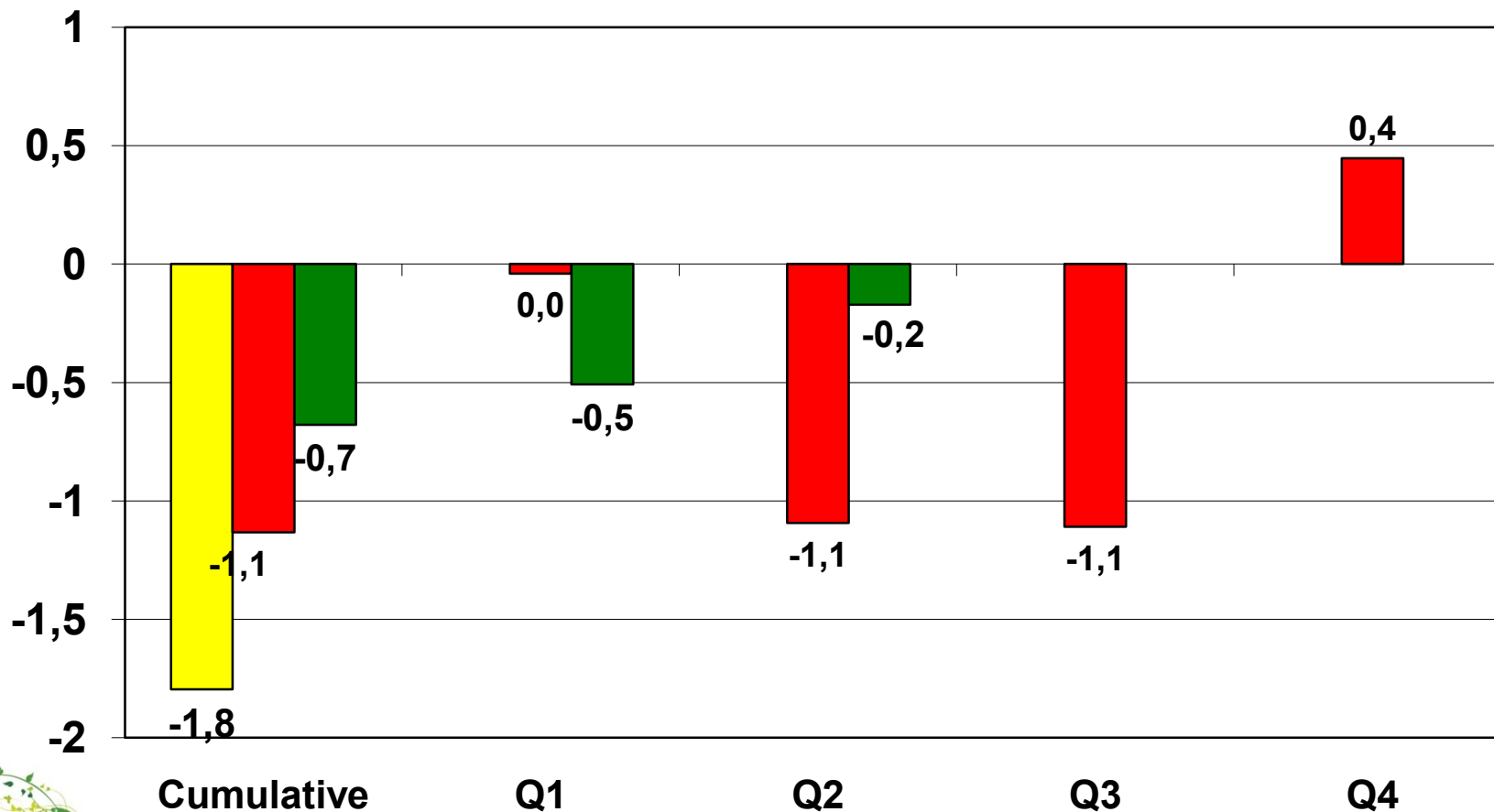
Operating profit, excluding non-recurring items, improved EUR 0.9 million year on year, but recorded a loss

- The Finnish Seafood business's second-quarter operating profit, excluding non-recurring items, improved: + Increased gross margin and decreased overhead costs + The Taimen Group's effect on the quarterly result was minor - Poor availability and high price of raw materials at the start of the period, heavily fluctuating price of Norwegian salmon, bankruptcy of logistics service company
- Profitability of the Norwegian and Swedish Seafood businesses was on the previous year level: + Decreased overhead costs - Higher main raw material and packaging material prices than the year before

Other

- Apetit Kala's cost-efficiency programme was implemented.
- Maritim Food AS decided to concentrate Norwegian production at one plant in Fredrikstad.
- Apetit Kala's cost-efficiency programme and Maritim Food AS's decision to concentrate production aim at achieving annual savings of about EUR 1.4 million, starting from the third quarter. In connection with the efficiency measures, non-recurring expenses of EUR 1.7 (0.0) million were recognised in the second quarter profit.

Operating profit excluding non-recurring items, Seafood, EUR million



■ 2010FY
■ 2010
■ 2011

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Seafood



Measures to improve profit performance in the Seafood business

- ✓ **Prices were and will be further increased to match raw material prices**
- ✓ **Cost-efficiency programme in Apetit Kala implemented – focus on increasing sales and sales margin in collaboration with clients**
 - **Strengthen the position on the market in service sales in Finland**
 - **Strengthen the position on the market in HoReCa sector in Finland**
- ✓ **Concentration of production in Maritim Food AS at one plant will be implemented before the year end**
- ✓ **Develop customer relationships and renew categories in Norway and Sweden**

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Seafood, Finland, Norway and Sweden



Norwegian Seafood business' product range was renewed open-mindedly in collaboration with clients. Product launches continue.



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Grains and Oilseeds Q2 2011



Grains and Oilseeds

| EUR million | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | Q1-Q4 2010 |
|---|------------|------------|---------------|---------------|---------------|
| Net sales | 60.0 | 50.5 | 111.9 | 93.5 | 181.9 |
| Operating profit, excluding non-recurring items | 2.8 | 2.2 | 5.3 | 4.1 | 7.2 |

Net sales

- Net sales were up by 19 % year on year.
- Large deliveries and significantly higher market prices than the year before.
- The majority of the net sales originated from exports and trading outside Finland.

Operating profit

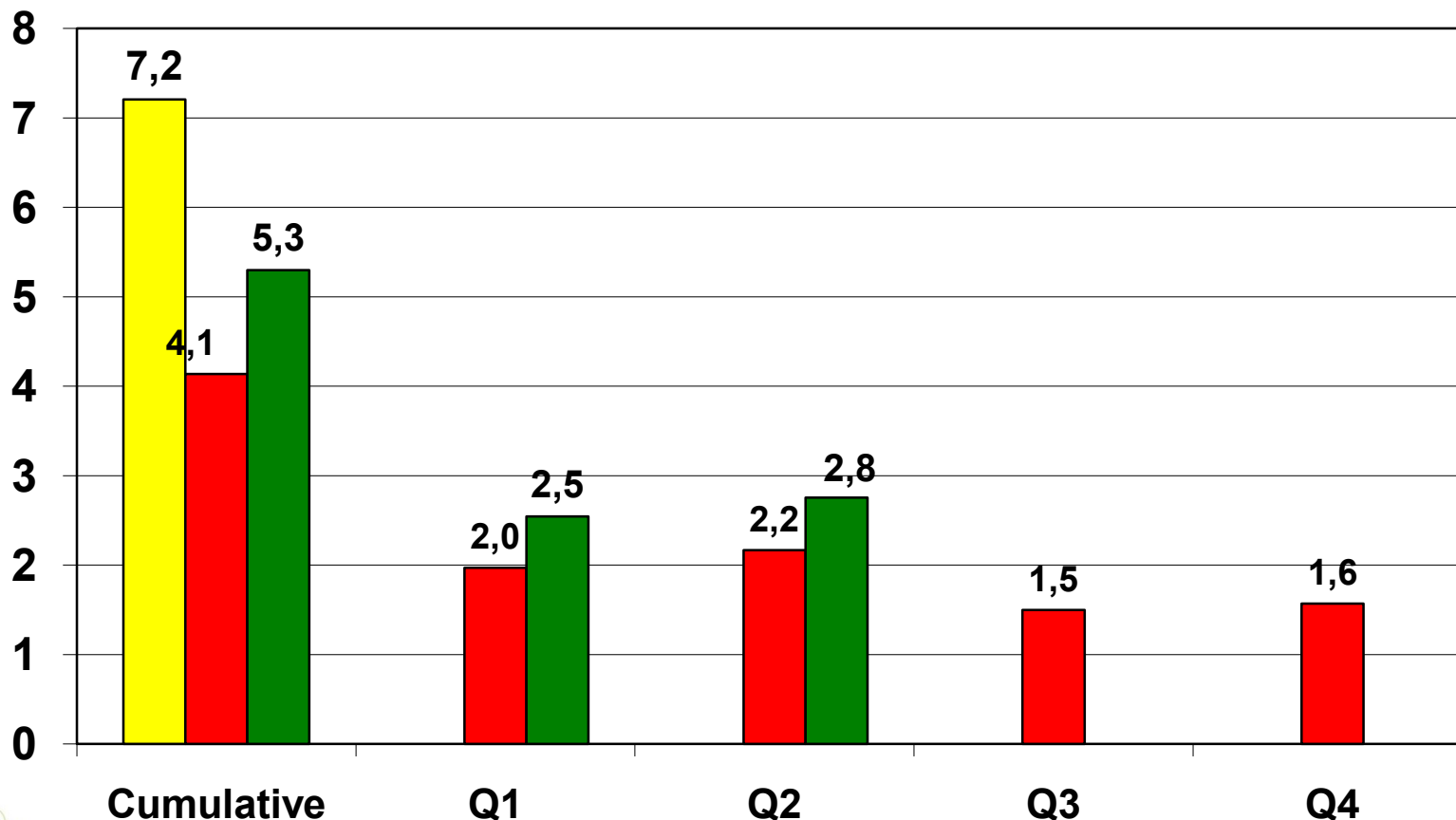
- The second-quarter operating profit was the best of all time.
- + Large volumes
- + Realisation of synergy benefits from combining the Grains and Oilseeds businesses

Other

- To increase Avena's trading opportunities and to expand the acquisition of grains and oilseeds Avena Nordic Grain Oy decided to establish a subsidiary in Ukraine.
- Investment of the packaging plant being constructed at the Kirkkonummi vegetable oil mill continues as planned.
- In the early summer, the prices of grains and oilseeds decreased substantially compared with the spring. The reason for this is more favourable weather conditions as the growing season progressed, and especially the activation of the Black Sea export market after Russia removed the export ban that had been in force during the last crop period, and after Ukraine had replaced export quotas with export duties. The EU's grain crop is anticipated to be at last year's level, but the oilseed crop is expected to decline by 1.5 million tonnes from last year, and to remain at 26.5 million tonnes. In Finland, the growing season has been favourable by and large, and grains' crop outlooks are generally good. The oilseeds crop is estimated to decline in Finland by 30% from the record-breaking previous year.

Net sales grew by 19% and operating profit grew by 27 %.

Operating profit excluding non-recurring items, Grains and Oilseeds, EUR million



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Other Operations Q2 2011



Other Operations

EUR million

| | Q2 2011 | Q2 2010 | Q1-Q2 2011 | Q1-Q2 2010 | Q1-Q4 2010 |
|---|------------|------------|---------------|---------------|---------------|
| Net sales | 0.4 | 0.5 | 0.9 | 0.9 | 2.6 |
| Operating profit, excluding non-recurring items | -0.5 | -0.4 | -2.0 | -1.6 | -0.5 |

Other Operations comprise the service company Apetit Suomi Oy, Group Administration, items not allocated under any of the business segments, and the associated companies Sucros Ltd (20%) and Ateriamestarit Oy (50%).

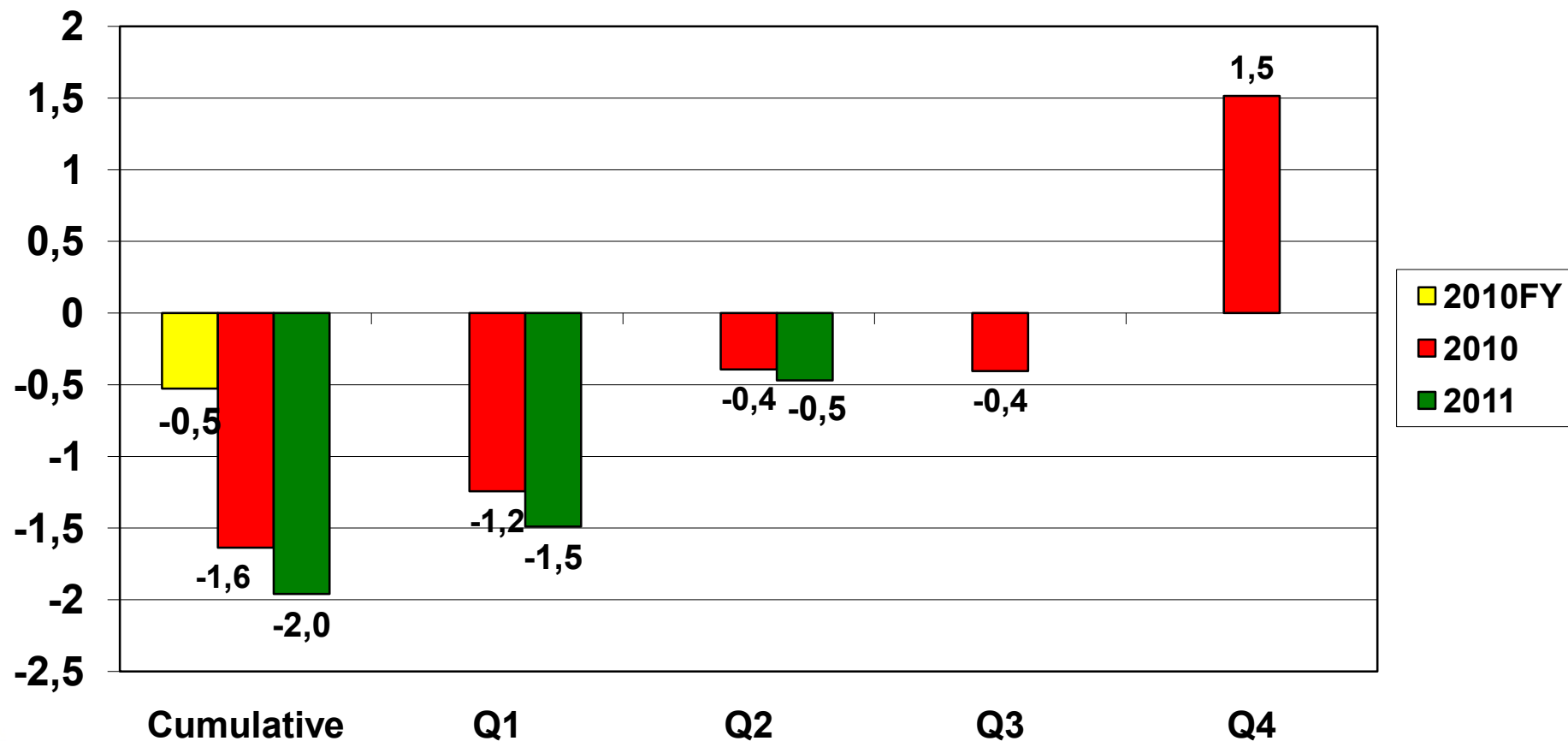
Net sales

- Comprise service sales to operating segments.
- Do not have any material importance.

Operating profit

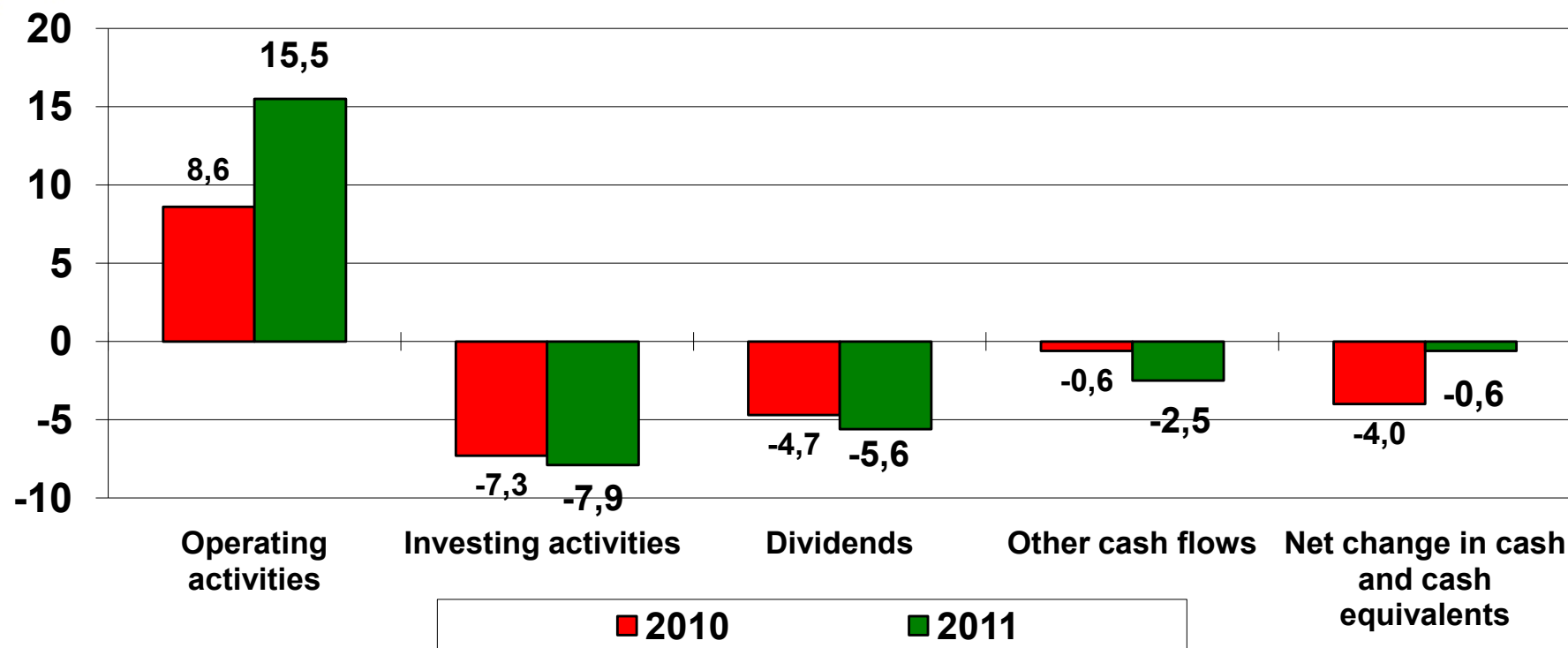
- Comprises the costs of the Group administration, costs not allocated to the operating segments and the share of profits of the associated companies.
- Share of the profits of associated companies was EUR 0.3 (0.4) million.

Operating profit excluding non-recurring items, Other Operations, EUR million



Cash flow from operations, Q1-Q2

EUR million



- Changes in net working capital EUR 14.2 (5.6) million are the most significant items in net cash flow from operating activities.
- Working capital was realised more year on year from the Grains and Oilseeds business.
- Net cash flow from investing activities includes also changes in fund investments EUR -6.0 (-1.0) million .
- Other cash flows include proceeds from loans and repayments of loans.



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Mission, vision and targets



MISSION

To offer consumers healthy and tasty food products which are based on locally produced raw materials.

We provide added value for our shareholders on a long-term basis.

VISION

To be one of the leading Finnish food companies operating across the northern Baltic Sea region.

TARGETS

- determined and profitable growth
- an operating profit of at least 5% of net sales
- an equity ratio of at least 40%
- a return on equity (ROE) of at least 12%





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Long-term growth target



Determined and profitable growth in the Group's business.

- The equity ratio is 78,0 %.
- The company's financing has been secured with committed credit facilities.

→ Our strong balance sheet and financial position give us excellent change to invest in organic growth of our business operations and to benefit from new emerging opportunities for corporate arrangements.

Principal shareholders on 31 July 2011



| | % | |
|---|-------------|------------------------|
| Sievi Capital plc | 8.6 | } Top10 = 46,4% |
| Valio's Pension Fund | 6.6 | |
| Skagen Funds, total | 6.4 | |
| Esko Eela | 6.2 | |
| Nordea Nordic Small Cap Fund | 5.5 | |
| EM Group Oy | 5.0 | |
| Mutual Insurance Company Pension Fennia | 2.5 | |
| Ilmarinen Mutual Pension Insurance Company | 2.4 | |
| Central Union of Agricultural Producers and Forest Owners (MTK) | 2.0 | |
| Special Mutual Fund Fourton Fokus Finland | 1.2 | |
| Norvestia plc | 1.2 | |
| Myllylä Mikko Aarre | 1.0 | |
| Säästöpankki Kotimaa Mutual Fund | 1.0 | |
| Säkylä municipality | 0.9 | |
| Taaleritehdas ArvoMarkka Osake | 0.7 | |
| Foundation for Economic Education | 0.6 | |
| SEB Gyllenberg Small Firm Fund | 0.5 | |
| Malkavaara Kari | 0.4 | |
| Köyliö Farmers' Association | 0.4 | |
| Apteekkien Eläkekassa B-osasto | 0.3 | |
| Nominee registered shares | 2.9 | |
| Shares owned by the company | 2.1 | |
| Other shareholders | <u>41.6</u> | |
| | 100.0 | |

ASSESSMENT OF PROBABLE FUTURE DEVELOPMENT

The Group's net sales will be affected particularly by the level of activity in the grain and oilseed markets and by changes in the price level of grains and oilseeds.

Thanks to the measures taken to develop the Group's different businesses, and thanks to the corporate acquisitions made in 2010, the full-year operating profit, excluding non-recurring items, is expected to be better than the previous year's level. Profit accrual is expected to be weighted heavily towards the last quarter of the year, as in 2010.

The profit for the financial year will be depressed by non-recurring costs associated with the Seafood business's efficiency improvement measures reported in the second quarter. There were no non-recurring costs in 2010.